

## Que gane el "más mejor".

Mérito y competencia en el Chile de hoy

by Eduardo Engel and Patricio Navia

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Chileans, despite our boasting and the frequent praise we receive from abroad, are actually quite disappointed about our achievements as a nation. This national schizophrenia is surprising in a nation that appears to rank as an upper middle-income European country on everything but GDP per capita: a stable liberal democracy, low corruption levels, an open economy run by modern socialists, and one considered by many as the best-run economy on the planet. Yet the general feeling among Chileans is that we are losers, that our athletes lack stamina, that our businessmen are lazy rentiers, that our politicians are cynical oligarchs, and that our workers are middling slackers. Chilean society, we believe, is sclerotic and immobile, thus making it rational for individuals to become conformists and to prefer security over opportunity.

In essence, one would get the impression that we believe we lack the most important of modern day attributes: competitive drive.

Eduardo Engel and Patricio Navia, two of Chile's most prestigious academics, blame this national psychosis on the bottlenecks in our economic and political development. In *Que gane el "más mejor". Mérito y competencia en el Chile de hoy* (Let

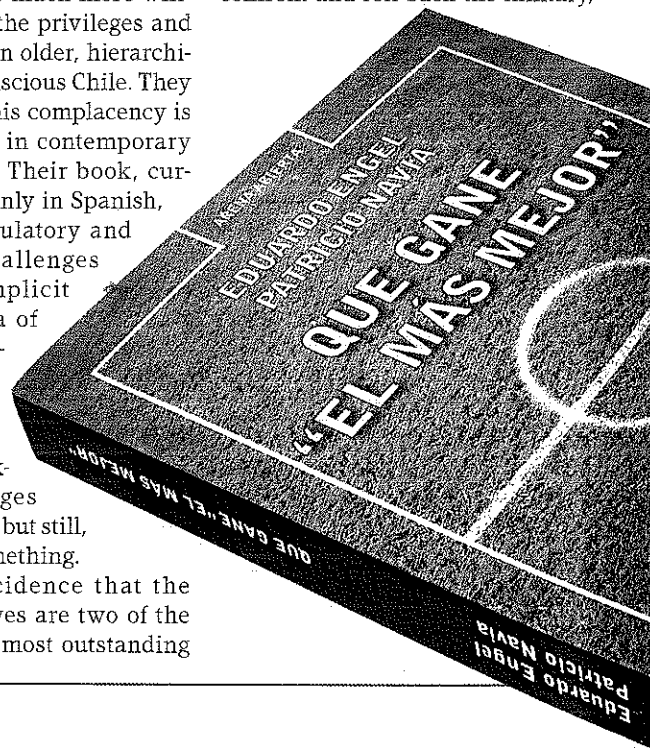
the Best Man Win: Merit and Competition in Contemporary Chile), Engel, an economist now teaching at Yale University, and Navia, a New York University political scientist, have written a book that, at face value, is a public policy handbook. But it is also a powerful essay that addresses some of the most profound deficiencies in Chilean markets, economic institutions, and political culture.

Engel and Navia start by arguing that things are changing: the new generation seems much more willing to challenge the privileges and complacency of an older, hierarchical, and class-conscious Chile. They also argue that this complacency is the central issue in contemporary Chilean politics. Their book, currently available only in Spanish, explores the regulatory and institutional challenges faced by the implicit political agenda of this new generation. One has to admit that there is more than a little wishful thinking in the changes that they observe; but still, they are on to something.

It is no coincidence that the authors themselves are two of the new generation's most outstanding

academic figures. Close to the ruling center-left coalition but politically independent, Engel and Navia belong to the new group of liberal democratic and pro-market technocrats that emerged from Chile's complicated political landscape. Both authors are public supporters of the new administration of President Michelle Bachelet and were closely associated with the preceding government of Ricardo Lagos. Earlier drafts of this book were coauthored by Andrés Velasco (currently the Minister of Finance) and Pablo Halpern (currently a senior communications officer for the president), so the text partly reflects the more general political views of liberal democrats in the governing *Concertación*.

A bit of political history is crucial to understanding the book and its analysis: The ruling *Concertación*, a coalition of Christian Democrats and Socialists, was originally constructed around the opposition to Augusto Pinochet's tyranny. The coalition's ideological roots are communitarian, collective, statist, and revolutionary. However, the political strategy of the bloc has been to confront and roll back the military,



media, and economic power of the right. The *Concertación* has successfully won every election held in the last 20 years. Over its time in power, the coalition has spawned a group of technocratic, liberal democratic economists, many of them trained in the U.S., who blend the *Concertación's* original political ideals with a greater faith in the market.

This book is, in effect, a first attempt to write a liberal democratic manifesto for Chile. Aimed primarily at a domestic audience, the text frequently refers to local events that outsiders may never have heard about, and its detailed description of Chilean public policy problems could prove heavy reading. However, the book's prose is sufficiently brisk that an educated reader with a minimal knowledge of Chilean politics and history will find much of value here.

Running through the manifesto is the authors' need to highlight the ideological difference between Chilean liberal democrats and the traditional ideological core of the *Concertación*. Traditional "*Concertacionistas*" believe that disciplined and effective political parties and unions are the only effective way of countering

capitalist power. Strong and organized citizens able to achieve victory in elections (and, if necessary, in the street) have been considered the most effective instruments for the accumulation of sufficient power to regulate capitalism. Liberal democrats believe that this strategy has three flaws: it generates market rigidities and economic inefficiency; it is impossible to sustain in the current global economy; and it promotes obedience and unimaginative thinking. While this traditional route to power has sometimes been effective in redistributing income, the structural foundations of power in Chile remain untouched despite two decades of *Concertación* predominance.

In chapters one and two, Engel and Navia explore the reasons for the lack of competition in Chilean politics within and between political parties. Indeed, they imply there is an uneasy equilibrium between the hierarchical, uncompetitive political structure of the governing coalition and the privileged, oligarchic structure that dominates the business community. Until recently, this equilibrium, managed by continuous negotiation, has served Chile well. It has sustained growth, ensured spending on social services, and served as the basis for the transition to democracy. It is now, however, a roadblock to political and economic development. Engel and Navia propose a shift to a competitive and meritocratic society that encompasses open and transparent political parties and competitive, efficient markets.

How can this be achieved? In subsequent chapters, Engel and Navia focus on the role of the state in protecting consumers, promoting competition, regulating markets, and addressing the unequal education system and discriminatory labor markets. These chapters demonstrate how, as liberal democrats, the authors share the core values of Socialists and Christian Democrats, who are—in the terminology of Rajan

and Zagales—"pro-market", while the conservative opposition has been "pro firms."

Nevertheless, the book misses three more issues relevant to this discussion. First, the authors could have usefully discussed the role of social protection networks in promoting competition. Chile's expansive pension reforms and its unemployment and health insurance systems—for which liberal democrats have provided the technical framework—have maintained Chile's competitiveness. Also missing is a discussion of meritocracy in capital markets. Last, the book could have addressed the lack of competition in the media. To this day, conservative businessmen have been able to effectively limit advertising and deny resources to center-left newspapers. With these additions, Engel and Navia would have gone from a first swing at a liberal democratic manifesto to a full-fledged home run.

One of the book's most attractive features is the way it links politics and economics. The common thread linking the text is the argument that increased competition and the development of merit-based structures can transform a sclerotic, socially immobile society. In the view of Engel and Navia (as well as most Chilean liberal democrats and social democrats such as myself), this is the only effective and sustainable route to social justice in our country. Such a sweeping change would unleash the natural competitive drive of Chileans as citizens, consumers, political actors, and entrepreneurs, which is essential for Chile to remain globally competitive. Perhaps more important, over time, it would give all Chileans something to continue bragging about.

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